



U.S.-Korea Free Trade Agreement

What's At Stake for Non-Citrus Fruits?

August 2010

The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, the KORUS FTA would be the most economically significant trade agreement for the U.S. agricultural sector in more than 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

In October 2009, Korea finalized its FTA with the European Union (EU). Korea has FTAs in place with Chile, India, and the 10-country ASEAN group, and is negotiating new FTAs with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors. Should the United States not implement the KORUS FTA, the U.S. share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, could steadily erode.

Fresh Cherries

With the Agreement...

Fresh cherries will enter duty free upon entry-into-force of the agreement.

The Trade Situation...

Korea is the third largest market for U.S. fresh cherries, and shipments have steadily risen in recent years. From 2007 through 2009, U.S. suppliers exported an annual average of 3,900 tons of fresh cherries valued at \$26 million. The United States dominates Korea's growing import market with an average market share of 93 percent.

The Current Market Access Situation...

U.S. fresh cherries face a tariff of 24 percent in Korea.

Fresh Table Grapes

With the Agreement...

U.S. table grape exporters will benefit from greatly improved access to the growing Korean import market. Front-loaded tariff elimination for Korea's domestic off-season is expected to benefit an estimated 70 percent of U.S. grape exports. The tariff on grapes imported October 16-April 30 will be reduced from 45 percent to 24 percent on the date the agreement is implemented, and will be

reduced to zero in four equal annual installments. The in-season (May 1-October 15) tariff, covering an estimated 30 percent of U.S. fresh table grape exports, will be phased out over 17 years.

The Trade Situation...

From 2007 through 2009, U.S. suppliers shipped an annual average of 4,200 tons of fresh table grapes valued at \$7.5 million. Sales have increased steadily over the past several years and the United States is the second largest supplier with a 10-percent market share. Even though Chile currently accounts for 90 percent of Korean grape imports, Chile's exports are counter-seasonal to, and therefore have limited impact on, U.S. grape exports to Korea.

The Current Market Access Situation...

U.S. fresh grapes currently face a tariff of 45 percent in Korea.

Raisins and Dried Plums

With the Agreement...

Raisins will enter duty free upon entry-into-force of the agreement, while the tariff on dried plum imports will be phased out over 2 years.

The Trade Situation...

Korea is the eighth largest market for U.S. raisins, and shipments have steadily risen in recent years. From 2007 through 2009, U.S. suppliers shipped an annual average 3,950 tons of raisins valued at \$6.3 million. The U.S. share of Korea's raisin import market was 96 percent in 2009. Turkey is a limited competitor..

From 2007 through 2009, U.S. suppliers shipped an annual average of 880 tons of dried plums valued at \$2.6 million. The United States is the dominant supplier with a market share of 98 percent by volume, which has remained steady.

The Current Market Access Situation...

U.S. raisins face a 21-percent tariff and U.S. dried plums face an 18-percent tariff.

Grape Juice

With the Agreement...

Grape juice will enter duty free upon entry-into-force of the agreement.

The Trade Situation...

Korea is the third largest market for U.S. grape juice. From 2007 through 2009, U.S. suppliers shipped an annual average of 7.3 million liters of grape juice valued at \$12.8 million. Currently, the U.S. share of Korea's grape juice import market is 48 percent. Chile and Argentina have rapidly increased their presence in the market, and the EU (primarily Spain), is still competitive.

The Current Market Access Situation...

U.S. grape juice faces a 45-percent tariff.

Avocados

With the Agreement...

Korea's 30-percent tariff on avocados will be phased out over 2 years.

The Trade Situation...

Korea is the second largest export market for U.S. avocados, and the United States currently holds 55 percent of the Korean import market. From 2007 through 2009, U.S. suppliers shipped an annual average of 273 tons of fresh or dried avocados valued at \$492,000. Mexico and New Zealand are also significant competitors in the Korean market.

Canned Cherries

With the Agreement...

Korea's 45 percent tariff on canned cherries will be phased out over 10 years.

The Trade Situation...

Korea is the ninth largest market for U.S. canned cherries. From 2007 through 2009, U.S. suppliers shipped an annual average of 675 tons of canned cherries valued at \$1.1 million. The U.S. share of Korea's canned cherry import market is 69 percent, but we face competitive pressure from the EU and China.

Fresh Apples and Pears

With the Agreement...

Korea's current import tariff of 45 percent on U.S. apples, other than the Fuji variety, will be reduced to zero in 10 equal annual reductions. The import tariff on Fuji apples will be phased out in 20 equal annual reductions. The KORUS FTA also establishes a 9,000-ton safeguard that increases to 12,000 tons in the fifth year, and thereafter grows 3 percent compounded annually through the 22nd year. The safeguard ends for apples other than Fuji in the 11th year. For Fuji apples, the safeguard ends in the 23rd year. Imports in excess of the safeguard quantity enter at the most-favored-nation rate.

Korea's import tariff on pears, other than the Asian variety, will be phased out over 10 years, and the tariff for Asian pears will be phased out over 20 years.

Apples and pears were excluded from the FTA that Korea recently concluded with Chile.

The Trade Situation...

Korea presently prohibits the importation of any U.S. fresh apples or pears because we lack a current pest risk assessment. Korea imports only very small quantities of apples and pears from foreign suppliers. During non-FTA sanitary/phytosanitary discussions, Korea did agree to proceed on the long-standing U.S. pest risk assessment request.

The Current Market Access Situation...

U.S. apples and pears are currently subject to tariffs of 45 percent.

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